

Investor's Reader

November 22, 1961

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DOUGLAS DUO (see page 17)

CHICAGO



RAINY DAY BREATHER

The pleased blonde has been promised freedom from the "self-induced Turkish bath" effect of ordinary raincoats by 42-year-old Manhattan textiler Reeves Brothers Inc. Her "breathing" raincoat is made of Reevair, an apparel fabric coated with a microporous plastic film on one side so that its tiny pores keep out wind and rain but permit air and moisture from inside to pass through. Reevair is guaranteed to remain waterproof, "not merely water repellent." It uses a process developed by Electric Storage Battery (IR, Aug 17, 1960) which teamed with Reeves in 1959. Reevair itself has been on the market since early Spring. Priced comparably to other "better" rainwear, "we could now be selling five times what we're able to produce," according to Reeves man Charles Schroeder. Three-fourths of Reeves sales (which have been in the \$60-to-70,000,000 range since the late Forties) are in textiles, largely cotton and synthetic fabrics for sportswear and including Reevair. The other fourth is "non-textiles or semi-textiles," includes bearing seals and other coated industrial items, polypropylene fibers and Curon,



polypropylene fibers and Curon,

a lightweight foam-coated material for outerwear, handbags, rugs, etc which Reeves purchased from developer Curtiss-Wright a year ago.

Despite new products, Reeves results were drenched in the year ended June. Sales fell 8% from the 1960 peak to \$66,000,000 while earnings plummeted from \$2,300,000 or \$1.94 a share to \$230,000 (20¢). Chief problem: "Depressed textile demand forced us to sell off inventories unprofitably." This year "the textile division should be in the black;" its orders are up "about 15%." First (October) quarter sales for Reeves were up 11% and earnings reached 11¢ a share from 5¢. RSV stock lags around 19 on the Big Board, just three points above the low for the year and nine points under its high. It is less than half the 1959 high of 41.

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BUSINESS AT WORK

TRANSPORTATION Competitive In-Roads

RAILROADS have wailed loud & long about the superhighways which have lured away their passengers and shippers. Now some airlines may join the chorus. President Joseph H FitzGerald of Ozark Air Lines reports that since a new highway gave the citizens of Rockford, Ill easy access to Chicago's O'Hare Field 80 miles away, his local service airline's business at Rockford has declined by two-thirds.

STEEL

Carpenter Rebuilds Momentum

HEADQUARTERS of specialty steel maker Carpenter Steel Company are in Reading, Pa but its annual meeting is held in more accessible Manhattan. Using the assembly facilities of Morgan Guaranty (transfer agent for the stock) two weeks ago, chairman Frank R Palmer had encouraging news for the 50 or so stockholders in attendance. In the

first (September) quarter of Carpenter's fiscal year sales were up 14% to \$17,400,000 as earnings recovered to 48¢ a share from 36¢.

Carpenter's first quarter is normally a slow one since it covers the slack vacation season. But the outlook for the full June 1962 year seems brighter. Carpenter Steel produces mainly alloy, tool, high-speed and stainless steels plus wire and wire specialties and chairman Palmer predicts: "Acceleration of defense orders makes higher shipments for specialty steels an excellent probability."

Fiscal 1961—made up of four quarters which were rather dismal for the whole steel industry—was a disappointing year for Carpenter. Sales dropped to \$66,100,000 from the high of \$85,100,000 attained in fiscal 1960 and earnings dipped to \$3,313,000 or \$1.75 a share from \$3.50 the year before.

But even the fiscal 1960 showing was rather disappointing since at the

halfway point the company had confidently expected to hit \$4-to-4.25. But Carpenter business, which had prospered during the first half of fiscal 1960 since most of its plants escaped the 116-day industry strike, began to slump in February 1960 and did not reach a turning point till this Spring. But now personable Frank Palmer feels: "From here on in, opportunities will be very good. We are not worried about maintaining dividend rates but about increasing them." Carpenter boasts an uninterrupted dividend record since 1907. The regular 30¢ quarterly paid since its latest 2-for-1 split in 1959 was supplemented by two 20¢ extras last year, only one in 1961.

Coast to Coast

Carpenter has been expanding from its Pennsylvania locale. Three years ago it purchased Northeastern Steel Corp. Now known as Carpenter Steel of New England this unit is beginning to expand its operations in the precision cold rolled strip field with an all new cold rolling department. Northeastern also brought with it an \$8,800,000 tax credit, the last \$2,500,000 of which Carpenter used up in fiscal 1961.

This August Carpenter moved to the other coast. It acquired NTH Products Inc of California which specializes in thin-wall tubing. It will work closely with Carpenter's Alloy Tube division in the area of extruded seamless tubing.

Carpenter spent \$3,000,000 on new plants last fiscal year; intends to up this to \$6-to-7,000,000 this year. Frank Palmer philosophized: "The more basic the industry, the

less chance there is of obsolescence. Our company is constantly being forced to improve its product mix. We will have to put out heavy expense for new equipment."

Despite the clear skies ahead at altitude, Carpenter is now feeling a profit squeeze. In May 1961 it cut the price of type 410 bars, billets and wire in recognition of current competitive price offerings. Meantime the industry-wide wage increase which started in October will add \$600-to-700,000 annually to Carpenter costs. The company is banking on increased productivity to offset price softness and rising wages.

On the Big Board Carpenter's 1,922,000 shares have backed off from the late 1959 high of 62 to around 46 recently, roughly the same percentage as most of the big primary producers. But the price is well over double the 1958 low.

AMUSEMENTS

New Angels on Broadway

TIME WAS when the hits & flops of Broadway brought cheer or tears to certain well-heeled gentlemen whose willingness to put up the money needed to stage the show made them "angels" to the theatrical world. Now with increasing frequency the angels' wings are not tucked inside a tux or evening gown but are worn by strictly impersonal corporations, particularly record or movie companies.

The reason for such corporate eagerness to invest in a highly speculative enterprise is not a long-suppressed desire by the top brass to own a piece in a Broadway prop-

erty but rather to get the inside track on the show's "original cast album" or movie rights. If the show should prove to be a gold mine in its own right like *My Fair Lady*, then wouldn't it be lovely.

An archangel among the corporations is Columbia Broadcasting System which in 1956 put up \$360,000 to pay the production costs of *My Fair Lady*. In return it received a 40% stake in the show, record rights and a participation in subsidiary rights.

Meantime CBS has netted \$3,200,000 from the show itself. And the prospective sale of movie rights to Warner Bros for \$5,500,000 plus a share of the box office should channel further riches into the CBS coffers. Buoyed by the *Fair Lady* success, Columbia proceeded to invest \$400,000 in *Camelot*. Now almost a year old, the show itself has begun to show a profit. The record album has been a hit. Screen rights have already been sold for \$1,000,000.

Another success has been the Columbia album for *The Sound of Music* which has already sold 1,000,000 copies. CBS acquired record rights on a straight royalty basis.

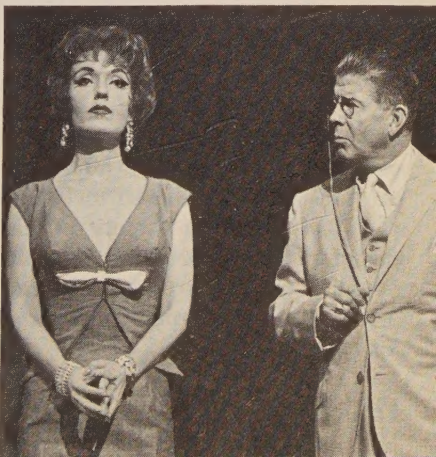
This season its Columbia Records division reportedly backed *Kean*, has a hit in the album with Alfred Drake. It is also understood to be contributing half the production cost for *All American* and 75% of the cost for *The Crime of Giovanni Venturi*. Columbia Records is believed to hold interests varying from 10-to-75% in these shows and to have the album rights as well. However, a Columbia

spokesman refuses any comment on these reports, apparently because of various legal angles.

Another veteran angel is Capitol Records which has invested \$200,000 in the musical *The Gay Life*, and is bidding \$300,000 to finance the production of *A Funny Thing Happened on the Way to the Forum*. Its success with the albums of *The Music Man* and *Fiorello* (for both of which it acquired rights independently without putting money into the original musical) led to the investment last year of \$480,000 in *The Unsinkable Molly Brown*. It has fared "exceptionally well," according to a company spokesman. Capitol has also acquired the record rights to new musicals *Kwamina* and *Sail Away* without financial backing of the shows.

RCA moved into the field with \$100,000 invested in *How to Succeed in Business Without Really Trying* through its NBC division. Featuring Rudy Vallee and Robert Morse, the Frank Loesser musical arrived on Broadway amid rave reviews. According to the musical's

Virginia Martin & Rudy Succeed



co-producer, Ernest H Martin, the investment had "nothing to do" with awarding record album rights to RCA-Victor. The RCA-Victor Records division has put more than \$100,000 into both *Let It Ride* and *Milk & Honey*, expects to put out albums.

While most movie makers have preferred to purchase screen rights without an investment tie-up with the show, Metro-Goldwyn-Mayer Inc in August 1961 put up 50% of the production cost of *Carnival* in exchange for sheet music, record rights and exclusive rights to the movie which will star Anna Maria Alberghetti. Publicity director Dan Terrell of MGM says "sometimes we audition but we're pretty cautious about backing productions." United Artists reports it has made no Broadway investments but purchased movie rights to *West Side Story* (critically acclaimed when it opened last month) along with French import *Irma La Douce*.

Warner Bros has made only minor direct investments in Broadway plays such as *Mary, Mary* and *The Music Man*, both of which it intends to film. However it has spent lavishly on movie rights to Broadway hits. Earlier this year it paid \$2,000,000 plus a percent of the gross for *Camelot* and its current offer for *Fair Lady* is the highest offer in motion picture history. The previous high is believed to be the \$2,270,000 paid by Twentieth Century for *South Pacific*. Other million-plus purchases by movie companies include *Guys and Dolls*, *Okla-homa* and *Life With Father*.

MANUFACTURING

Hoover Ball & Bearing Begins to Score With New Products

WHATEVER the political limitations of the troika system, executives of Hoover Ball & Bearing Company find it an effective way to run their enterprise. Chairman of the Hoover triumvirate is 54-year-old Clifford H Simmons who, "although we have never spelled out our duties formally," decides the company's overall policy. In charge of carrying out these decisions is president Herman L Schrock, 41, while vice chairman William L Brittain, 45, devotes himself to new ventures.

The Simmons-Brittain duo (IR, April 16, 1958) replaced the retiring management of Hoover Ball in September 1955 when their twelve-year-old company, Universal Die Casting & Manufacturing, merged the 1913-established Ann Arbor ball bearing maker. President Schrock relates: "Legalistically Hoover acquired Universal but in reality it was the other way around." When Simmons & Brittain took over, they brought in Herm Schrock, a CPA with a degree from Northwestern who had been treasurer of Aeroquip Corp and before that with accountants Ernst & Ernst in Detroit.

Since the marriage the company has moved its headquarters from Ann Arbor to neighboring Saline, Universal's old home. All three executives are domestically well established in Ann Arbor however. Chairman Simmons has two teenage sons and Herman Schrock six offspring

ranging in age from 5 to 19. Bill Brittain just celebrated his first wedding anniversary in September.

Cliff and Bill began their association in the engineering department of what is now King-Seeley Thermos in Ann Arbor. They left in 1943 and formed Universal to make zinc, brass & aluminum die castings for the plumbing & auto industries. Bill Brittain remembers: "We started Universal then because we thought the war was ending and we'd come in on the postwar boom—the idea was good but our timing was bad." The company proved successful however. Cliff Simmons states by the mid-Fifties "we felt we had as large a percentage of die castings as we wanted." Hence they snapped up the offer to take over Hoover. The chairman adds: "It turned out to be a real good move too."

The 4,000 shareowners—led by Cliff Simmons and Bill Brittain who together own nearly a fourth of the 1,289,000 shares—have also enjoyed a good move. Adjusted for a 2-for-1 split two years ago the stock has nearly quadrupled in six years and now trades on the Big Board around 22. The shares had reached a high of 28 last year. Dividends have not matched the stock pace but are up 50% since 1955 to 15¢ quarterly.

Through acquisition and internal development Hoover has broadened its scope to include plastics, sophisticated testing equipment, cold-drawn steel wire and even beer barrels. Since his arrival, Cliff Simmons notes, "we have made six acquisitions, mostly for cash." The latest

and biggest came in May 1960 when Hoover purchased Universal Inc (no relation to their original Universal Die Casting) for 177,000 shares. Universal Inc produces seat springs for GM and furniture makers. It also turns out electric motor commutators and Tote bulk material handling systems which president Schrock believes "have excellent growth prospects." In 1959 Universal netted \$923,000 on \$15,300,000 sales.



Simmons, Schrock & Brittain

Overall, Hoover posted a 33% volume gain to \$45,600,000 in the year ended July. However the increase stemmed from full-year inclusion of Universal since "our old product sales were off 13%." Hoover profits were hit harder; fell to \$785,000 or 61¢ a share from \$1.30 in fiscal 1960.

During the 1961 fiscal year Hoover moved Universal's spring division from Bedford (near Cleveland) to Georgetown, Ky. Another part of Universal's dowry, an un-

profitable institutional furniture operation in Los Angeles, was discontinued. President Schrock allows: "At the time of the acquisition this division looked like it was breaking even." Cliff Simmons injects: "Boy, the plug came right out of the bottom." He figures without these two moves "our earnings would have been around \$1.10 a share."

However the unhappy furniture unit did bring with it a \$575,000 loss carry-forward which Hoover utilized to shave \$275,000 from its fiscal 1961 tax bill.

Another tax loss carry-forward which figures in Hoover accounting history was contributed by the 1956-acquisition of die caster Gerity-Michigan Corp and used by Hoover in the 1957 & 58 fiscal years. Chairman Simmons says: "Returns for the three years through July 1959 are being examined by a revenue agent who told us he intends to recommend a substantial tax deficiency on the premise Gerity was acquired primarily for tax avoidance. However we got a favorable ruling from the Treasury before we made the merger and our counsel feels we can establish the facts sustaining our position."

Counting all its acquisitions, Hoover currently operates twelve plants in seven states. Their output goes to 5,000 customers, mostly durable goods manufacturers who had been hard hit by the recession. For example, ball bearings go into GE and Westinghouse electric motors. However the auto industry is by far the biggest Hoover customer. Herm Schrock figures automotive

sales including springs & trim come to "about \$12,000,000 a year."

Vice chairman Brittain reports "we are planning to build several new plants this fiscal year in connection with our blowmolding process." In 1957 Hoover began to develop machinery to blowmold high-density polyethylene containers, a field not as unrelated to Hoover as it might seem for "die casting is similar to blowmolding." And die castings, ball bearings and balls "are well over half our total business."

Blowmold Ventures

Hoover built a pilot blowmolding plant in Saline late last year which is turning out 80,000 containers a day—worth about \$3,000,000 a year. One customer: Lever Bros for its Whisk detergent. Cliff Simmons hedges: "Capital investment for these plants is low in relation to sales—after all we make the machinery." This includes Universal's Tote systems which handle the raw material in the highly automated pilot plant.

The company has a two-pronged agreement with major poly supplier Dow Chemical:

- Hoover and Dow will jointly build plants close to major markets, equally sharing costs and profits. Bill Brittain outlines: "Dow wants us to build six plants this year. So far we have decided on four. Two in the East, one in Chicago and one in Florida. Each plant will have a \$4,000,000 annual capacity."

- Under an alternative plan Dow will completely finance in-plant installations built for its customers by Hoover. Hoover gets an undisclosed royalty on Dow's poly sales to these

plants. To date the partners have set up two such units.

Hoover has some big competition in poly containers including Owens-Illinois, Continental Can and Celanese subsidiary Plax. The line was a drain on Hoover profits in most of fiscal 1961 but Bill Brittain is confident poly containers "will now start producing more income each quarter."

Another development which he believes "will be very important to us" is new subsidiary Forster/Hoover Electronics, 80% owned by Hoover and the rest by German physicist Dr Friedrich Forster. One principal product is Forster-developed non-destructive, defect-testing and measuring equipment for rods, tubes, balls, etc. "In 24 months," predicts Bill Brittain, "the subsidiary will grow to a \$3,000,000 annual volume."

The Hoover bosses are less definite on overall predictions for the company. While final figures are not yet in, Cliff Simmons estimates earnings in the first (October) quarter came to around 40¢ a share, a hefty gain from the 16¢ of a year ago. And Bill Brittain chimes in: "I think this will be an excellent year."

FUELS

Power By Slurry

EXOTIC new power sources like nuclear energy, fuel cells and magnetohydrodynamics regularly make headlines. But two weeks ago it was the turn of that old fossil fuel workhorse, coal. Four major companies in four major industries called a press conference to show how they

can move slurry, a pulverized mixture of coal and water, via pipeline and barge directly from mine to furnace. Then the slurry is fired without even a pause to dry it out. The resulting steam is used to generate electricity.

The four participating companies were coal miner Consolidation Coal, pipeliner Texas Eastern Transmission, steam furnace maker Babcock & Wilcox and utility Jersey Central Power & Light (a General Public Utilities subsidiary). The new process is employed in a Babcock & Wilcox Cyclone furnace at Jersey Central's E H Werner power station in South Amboy, NJ.

The idea of transporting coal in a pipeline is not new. A small demonstration pipeline was first built in the heart of Manhattan at Madison Avenue and 58th Street in 1893. But it was over a half a century before Consolidation Coal proved pipeline transport economical. In 1957 the company completed a 108-mile pipeline from its mines in Cadiz, Ohio and began transport of coal slurry to Cleveland Electric Illuminating Company. Since then over 5,000,000 tons have been successfully piped through the line.

But low cost coal slurry could be used as a fuel only after expensive dewatering treatment. This month's demonstration provided an answer to this problem. Babcock & Wilcox research developed the technique for direct use of the slurry containing over 30% water in its Cyclone furnace without preliminary drying treatments. The mixture is introduced into the furnace via a simple

pipe and spray nozzle. As the fuel enters at low pressure, hot air at extremely high temperatures flows in, around and behind the nozzle. This vaporizes the water and whirls the coal particles which ignite at over 3,000°F within 1/100 of a second.

Babcock & Wilcox estimates this technique can save 5-to-7% of power plant costs since it eliminates all investment in coal handling equipment. For the South Amboy demonstration the slurry was brought by barge from Cleveland after its trip through the pipeline from Cadiz. The sponsors indicated the wet-mixture-firing furnace could make it economical to use barge-shipped slurry.

However Texas Eastern and Consolidation Coal propose a 350-mile, \$100,000,000 coal slurry pipeline from the mining areas of West Virginia and Pennsylvania to the large power consuming areas of Philadelphia and New York. They hope to have it in operation by 1964.

FOREIGN FRONT Anglican Talents

THE Church of England's Commissioners have followed well the Parable of the Talents in the investment of the Church's funds. According to Britain's noted weekly *The Economist* "since the Church Commissioners first began to invest in equities in 1948, their income has nearly doubled." In the year ended March 1961 income rose by slightly better than 10% or £1,500,000 from the year before to £15,800,000; "most of the rise came from bigger dividends on the equity holdings * * *

Over the past two years the

overall yield on its investment portfolio has improved by one per cent to nearly 6½%."

Not inflexible about their investment-in-stocks policy, the Commissioners in the past year "probably for the first time were net sellers of industrial equities. Even so new investment in this section amounted to £3,800,000 of which half was absorbed by rights issues and the rest largely by purchases of chemical manufacturing and store shares." *The Economist* also points up the importance of the investment portfolio to the Church's total finances: "It has been estimated that the Church Commissioners now provide about three-quarters of the stipends of the clergy and about one half the Church of England's annual budget."

As of March 31 the Church's portfolio was 58% in industrial ordinary (*ie*, common) stock, the remainder in fixed income securities. The industrial investments are spread over 300 companies, all British or British-owned. One holding is 274,500 shares of General Electric Company Ltd.

An indication of the Church's striking investment success is book value of the total portfolio which amounted to £132,262,000 last March, up slightly from £122,942,000 two years earlier. But total market value of £204,563,000 (\$572,800,000) showed a far more dramatic advance from £138,678,000 in the same period. In industrial shares, the two-year comparison is even fancier. Book value is up only £2,570,000 to £76,427,000 while market value is up £56,098,000 to £144,413,000.

PRODUCTION PERSONALITIES

AUTOMATION

Leon Bagrit Plots
Second Industrial Revolution
Through Elliott-Automation

IN A STATELY 200-year-old mansion on Portland Place in London are some men who claim to be among the fomenters of the second industrial revolution. Though these men stand at the head of a company widely known in Europe and becoming increasingly known in the US, there is not even a nameplate on the door of their headquarters. And though the company employs over 12,000 people, its central headquarters staff numbers between 25 and 30.

Elliott-Automation Ltd has other unique aspects. It claims to be the company which first took the concept of automation—even before the word was known—and used it as a basis for building a company. Its total work force could readily fit into any one of a dozen General Motors divisions—yet Elliott-Automation operates through more than 70 autonomous divisions or subsidiaries.

Elliott is not merely an electronics company as many people assume. It will use mechanical, pneumatic, hydraulic or any other type of system, separately or in combination. Its business, in a word, is automation.

On the second floor front is the spacious, comfortable office of the man who has been the chief input source for this organization. He is 59-year-old Leon Bagrit, the company's deputy chairman and managing director. The furnishings of his office give no suggestion of the com-

pany's preoccupation with the future. They would be very much at home in a London men's club, including the sofa and overstuffed chairs. The managing director is a relatively small and slight man who gives the impression of being larger than he is. Born in Kiev, he was brought to Antwerp when three and to London when twelve. He helped work his way through London University by playing violin in the Royal Philharmonic.

Says Leon Bagrit: "When we came into this company in 1947 we hit upon an idea which really inspired us. We felt that the second half of the Twentieth Century was going to be characterized by automation. We were the first company to realize the implications of automation and to organize for that specific purpose." Now, he says jauntily, "others will come on the stage and say their lines and say them very well, too, but we will play the central role. I know this sounds conceited but I really believe it."

Red Threat

Leon Bagrit does not minimize the importance of this drama either. He believes that if the Western nations are going to defeat the Russians, they must do it through economic competition. He says: "The realistic assumption is that we won't blow the world up or fight a major war." Then he warns: "The Russians have automation as part of their seven-year plan. They are starting out from the top and working down and therefore have a good chance of doing the job."

At Elliott, the automation job got

underway the equivalent of two seven-year plans ago when Leon Bagrit merged on the scene. As of 1947 Elliott Brothers Ltd was a veteran instrument maker which "did fine work and was highly connected but was really on its uppers." It had been doing valuable war work but the war was over and it had not figured out what to do next. Leon Bagrit at that time was head of a small maker of high precision mechanical equipment and weighing machinery called B&P Swift. He arranged to have Elliott purchase B&P Swift though in fact it was the reverse. He brought with him Lawrence L Ross, his chief scientific colleague and "an absolutely brilliant man," and Edgar O Herzfeld, his chief financial aide.

Elliott Brothers lost £200,000 in 1947, the year Leon Bagrit arrived. The following year "we stopped the drain" and by 1950 the company was turning a slight profit.

First Steps

To implement its master plan, the company hatched some ingenious schemes. First it went seriously into military contracts. But though it badly needed the money, it did not go after any kind of contract—only those which would contribute knowledge and allow the company to hire personnel who would be useful later.

Second, it needed to obtain the best possible information about what was going on in its chosen fields. Consequently energetic Bagrit traveled far and wide in the US and on the Continent. He set up licensing arrangements, sometimes merely for sale of products, often for manufacturing and always for exchange of

information. Acquisition too was important in the scheme but not for the sake of mere diversification. Each company had to fulfill a definite purpose in the total picture.

The acquisition which put "automation" into the company name occurred in 1957 when Elliott Brothers took on Associated Automation Ltd. Associated had picked up that modern word two years earlier—not long after its coinage in Cleveland by the manager of Ford's then new push-button cylinder block plant. The key concept in automation is not mere mechanization of a process so no human hands intervene. It requires the use of controls which receive information on how the process is progressing and regulate it.

Now, Leon Bagrit believes, Elliott-Automation is a company in which the sum is greater than its many parts. He likens it to the Mayo Clinic where the individual doctors and technicians are not only experts in their field but are used to working with each other. Elliott-Automation groups, divisions or subsidiaries work alone or in any combination to satisfy a customer's needs.

The company's major activities fall into seven fields:

- Process automation which includes electrical measuring and recording instruments, electronic control instruments and process & quality control instruments. These are used for control systems in all kinds of basic industries and manufacturing processes including nuclear power stations, oil refineries, coal mining, gas, steel, rubber, plastics and chemicals.

- Automatic data processing which includes digital and analog computers for commercial, industrial and scientific use. Here the company works closely with National Cash Register. Biggest seller has been the 803, a medium-priced small computer. Coming into prominence is the 315, a medium-sized computer of advanced design. National-Elliott computers turn out the London *Times* indices of securities prices.

- Automatic control valves to handle a range of fluids and gases from superheated steam down to the temperature of liquid oxygen.

- Mechanical automation which includes conveyor systems, vending machines and office machinery. Products include numerical machine tool controls on license from Warner & Swasey.

- Guided flight systems which include aircraft engine instruments, inertial navigation, guided weapons and automatic test equipment.

- Radar and communications which include telemetry and microwaves as well as radar.

- Automation components including servo components, high-duty relays and precision gears.

The main plants of Elliott-Automation are all in the greater London area at Lewisham, Boreham Wood and Rochester. A new 450,000 square foot building is being built at Rochester with seven five-story towers. It will have positive air pressure to maintain dust-free conditions for high-precision work. Each plant houses a number of divisions and each division pays rent. It also pays for services rendered by a central



Automator Bagrit

staff. Portland Place headquarters allow Elliott's key policy makers maximum privacy and except for budget review and occasional conferences, division heads are on their own.

Leon Bagrit extols the Elliott method of organization as giving numerous young men opportunities to get to the top quickly in a creative field. The company has some 2,000 science or engineering degree holders. The Elliott managing director disclaims any talent shortage: "We know there's a battle for talent, but we're winning it." He stresses: "Look at the ad columns in the *Sunday Times* and *The Observer* and you'll see very few of our ads among those which seek engineers and scientists."

The licensing policies which Leon Bagrit instituted early in his Elliott career still stand the company in good stead. Among major agree-

ments now in effect with US manufacturers:

Bendix Corp for aircraft instruments & controls and radar; Bell & Howell's Consolidated Electro-dynamics division for quality control equipment; General Kinetics of Arlington, Va for control valves; Western Electric for specialized relays; Giannini Controls for digital encoders; Robertshaw-Fulton for heating controls.

Recently Elliott has taken up with Litton Industries for microwave tubes. Another new associate is Rotron Controls, a small Woodstock, NY specialist in the flowmeter field. Elliott also has an agreement with the Autonetics division of North American Aviation for sales and manufacture of its "Verdan" airborne digital computer.

Apart from US connections, Elliott has embarked on a joint venture with E Leybold's Nachfolger of Cologne, specialists in the high vacuum field. Through this venture Elliott has entered production of equipment for freeze-dried foods (IR, June 7). Through Rheostatic Company, Elliott has obtained a foothold in France and thus takes pleasure in participating in the Common Market, an area which Leon Bagrit deems particularly important.

Research & development of course play a tremendously important part in the Elliott picture. Along with engineering consulting, they overshadow manufacturing. Elliott has been a star in data processing research and the application of computing to industrial process control. It has also made important contri-

butions in flight automation, radar and microwave technology.

Figures for research expenditure are not disclosed, nor are the expenditures for acquisitions or setting up new divisions. Leon Bagrit reflects: "We've been adding new companies or divisions at the rate of one every two months for quite a time now. This is bound to attenuate." Meantime the profits from acquisitions past should "start bringing home some wages to Mama."

Financial Tally

Elliott-Automation has a massive 21,763,000 shares of 5-shilling par ordinary stock outstanding which currently trade in London around 35 shillings. The equivalent American Depositary Receipts are quoted around 4¾ bid. Though down from the 1961 high of 5¼, this is quite a fancy fourfold-in-four-years rise from the \$1.17 low of 1957.

Elliott's corporate results have also risen. Early this year Elliott reported turnover figures for the first time. They came to \$56,000,000 for 1960 v \$44,800,000 for 1959. Profits after depreciation but before taxes came to \$4,951,000 in 1960. In 1959 reported earnings were only \$2,842,000 but did not include any income from Rheostatic Company which contributed nearly 30% of group profits last year. This still seems to indicate a 25-to-35% increase in 1960 profits.

For 1961 Leon Bagrit expects turnover to increase 20-to-25% which would make it \$67-to-70,000,000 and profits to top £2,000,000 or \$5,600,000. He adds: "I haven't made a wrong prediction yet—touch wood."

FOODS

Frito and Lay Chip In To Make Top Outfit In Snack Foods

IN 1932 strong competition and dipping prices prompted Charles Elmer Doolin, the 29-year-old proprietor of a quality ice cream factory in San Antonio, to look for a new and less competitive business. At a lunch stand one day the young Texan noticed a crude package of corn chips. After tasting the product which was made from a tortilla base, he quickly tracked down the manufacturer—a homesick Mexican—and purchased the recipe, equipment (an old converted potato ricer) and 19 customers for \$100.

Last year the Frito Company of Dallas sold \$80,600,000 worth of snack foods and netted \$2,610,000 or \$1 on each of the 2,607,000 shares then outstanding. Products included nationally advertised Fritos corn chips, potato chips, pretzels, peanuts and canned Mexican-style specialty foods.

In the same depression year of 1932 Herman Ward Lay, then 23, began his business life as Nashville distributor for Barrett Food Products, an Atlanta potato chip producer. In the 29 years since, Herman Lay bought out Barrett's Atlanta and Memphis plants, renamed the company after himself, moved its headquarters to Atlanta suburb Chamblee and acquired several small snack food companies in the Southeast. In its August 1960 fiscal year HW Lay & Company rang up \$43,200,000 in sales and cleared \$1,470,000. August 1961 figures are still in preparation

but Herman Lay says volume was around \$45,000,000 and earnings rose "fairly sharply" even though the rise was limited by the expenses of an acquisition during the year.

Two months ago the two snack firms combined with each of the 936,000 Lay shares exchanged for 1.65 shares Frito. This resulted in a capitalization of 4,160,000 shares for the new Frito-Lay Inc. About one-third is controlled by members of the combined management group, the rest divided among 9,000 stockholders.

In the over-the-counter market, the stock trades around 43 or just about the alltime high. Adjusted for splits, Frito shares sold around 20 at the start of this year and \$3.17 when the common was first brought out in 1955. As for the former Lay holders, the equivalent of one Frito-Lay share could have been bought for 18 in January, for \$2.53 when Lay stock

Williamson and Lay agree



was first offered five years ago.

Charles Doolin died in 1959 and was succeeded by John Doty Williamson. At Lay, founder Herman continued as chairman, president and very active boss. In the new organization Williamson is chairman & chief executive, Lay president.

At his well-appointed office on the fourth floor of the modern Exchange Bank Building in Dallas, soft-spoken chairman Williamson states current volume is "running at an annual rate well in excess of \$135,000,000." He explains the entire corporation is being switched to an August fiscal year and compiling full and consistent twelve-month figures has turned into a very intricate auditing job "since it involves not only Frito, previously on a December basis, and Lay, whose year ended in August all along, but also a number of other companies with differing fiscal years which were acquired by either Frito or Lay during the period." Hence, "we don't have any definite figures to offer yet but both our annual report for the year ended August 26, 1961 and our first quarterly report for the twelve weeks ended November 18 will show increased sales and earnings."

John Williamson considers "the merger a natural outgrowth of a sequence of events." The sequence started in 1945 when Lay signed an exclusive franchise agreement to manufacture and distribute Fritos corn chips in the Southeast. The chairman stated Lay's capable management was the "most important reason for the merger."

The mustached executive expounds: "This part of the food busi-

ness is pretty new, having been in existence for about 30 years. With the tremendous increase in convenience type foods" it is necessary to "combine a lot of knowhow in top personnel so we can expand operations in present markets as well as in new areas."

He continues: "We now have a national organization to draw management from and have management in considerable depth. This is a great benefit."

Days Past

Amiable John Williamson reminisces: "I started in the investment banking business at about the same time Charles Doolin began making corn chips." For many years he served as the Frito founder's chief financial advisor, was instrumental in "laying the plans for the company's first public offering [a preferred issue] in 1953." The next year "when Charles Doolin had a heart attack, he asked me to come in and run the business. It was a challenge so here I am."

In 1954 sales were around \$18,000,000. After some acquisitions—most were onetime Frito licensees—sales for this year "without Lay" would total \$91,000,000. The hard-working executive sidelights: "At the time I came to work for Frito, I told Charles Doolin I was 3½ years behind in my hunting and fishing. Now I am 10½ years behind."

Presently Frito-Lay distributes its corn chips and other snack and convenience food products through 2,775 driver-salesmen and distributors. Chairman Williamson notes "we have 28 different food items now."

These include eleven or twelve different brands of potato chips ("we haven't counted lately"), fried pork rinds, Chee-Tos, Cornetts puffed corn snacks, New Era instant mashed potatoes and Spudsnax canned French fries and potato sticks.

Both Frito and Lay have been active acquirers but now John Williamson states "we want to first make sure the integration of our current merger is completed in the most effective way. We are going to emphasize expansion from within rather than outside but that doesn't necessarily close the door on acquisitions."

Herman Lay amplifies: "We have a period of study and consolidation ahead of us. There may be some additional expenses in the merger and consolidation of these entities." However he is "quite optimistic" for the future.

John Williamson concludes: "We came out of the merger with 47 plants. This gives us a great deal of flexibility so we see no really significant capital expenditure program at the moment." Of course, "if our present rate of growth continues," some additions may be called for. In any case, "we would be able to finance every additional facility we would need out of earnings."

RETAIL TRADE

People's Progress

H EADQUARTERED on P Street in the nation's capital, No 4 drugstore chain People's Drug Stores Inc suffered the lowest earnings in over a decade last year (\$1,310,000 or \$2.39 a share). But 1961 has been a year of sharp recovery. In

the first nine months earnings registered \$1.59 a share *v* 55¢.

In a telephone interview chairman-president George B Burrus last week predicted a good fourth quarter would bring full-year earnings above the 1959 record of \$1,980,000 which equaled \$3.51 on each of the 550,000 shares outstanding. The 1959 net was fully 20% above the year before but since there were substantially fewer shares outstanding the 1958 results worked out to \$3.85 a share.

According to the 55-year-old executive both last year's decline and the subsequent upturn resulted from the expansion and modernization program initiated in 1959. The depressed earnings were caused by an "accumulation of store opening costs" while profits of the new units began to come in this year.

The program was meant to combat intensified competition not only from other drug chains but from discount houses, supermarkets and variety stores as well. While the program calls for an increased number of stores ("over 200 by the end of this year, a net of twelve new ones"), George Burrus says the real emphasis is on "better service to the customer."

Most of the new units are of the serve-yourself variety located in shopping centers. Bigger than the regular stores, they provide a wider choice of products, convenient parking, etc but with no diminution of service within the store. Salesmen are available if needed. Prices are also the same as in the regular stores. Executive Burrus explains the



People's leader Burrus

serve-yourself stores account for about 30% of People's total.

Both the self-service and regular stores are leased. Size ranges from 3-to-15,000 square feet. Subsidiaries are incorporated in each state of operation (Virginia, Maryland, Ohio, Pennsylvania, Tennessee, West Virginia and the District of Columbia) because "we want to be identified with the state in which we sell." Volume comes 20% from tobacco, about 12% each from prescriptions, food, cosmetics, with the rest supplied by miscellaneous items.

On the food end, the chain has started "Arbor Room" coffee shops in stores. Five are now in operation with 25-to-30 more in the planning stage. George Burrus, who started at People's 28 years ago as a soda-jerk, also is expanding regular fountain operations.

But while People's has made a favorable record for the year, the

chief executive noted the dangers of a profit squeeze. "Prices are being bid down by competition; wages, rents, everything else is going up—and all we can do is pay 'em." A sign of the long-term shrinkage of profit margins is sales doubled from \$47,000,000 in 1950 to \$93,000,000 a decade later (\$100,000,000 is predicted for this year) but earnings rose only 20% from the \$1,650,000 (\$3.85) netted in 1950 to the 1959 high and fell well short of the 1950 profit in most of the intervening years as well as in 1960. However the company was able to maintain a large degree of income stability during this period as 1951-57 earnings fluctuated within a \$1,400,000 to \$1,550,000 range.

Disbursements to the 4,300 People's stockholders have also shown great stability and George Burrus expects to continue the \$2 dividend which has been paid ever since 1949.

WE HEAR FROM . . .

Safflower Saturation

GENTLEMEN: SAN FRANCISCO

I think you did a very nice job of reporting [on poly-unsaturates, IR, October 25].

There was one point on which I apparently did not make myself quite clear. The figures of 2 million pounds for 1960 and 6 million pounds for 1961 were the quantities of safflower oil sold by us to edible oil consumers and did not represent our entire production. Our actual production of safflower oil in 1960 was approximately 18 million pounds and in 1961 we expect it to be about 25 million pounds. In both years, of course, the majority of this production was sold for inedible uses.

Very truly yours,
B T ROCCA JR, President
Pacific Vegetable Oil Corp

An Old Pro Redrafts Its Domain

Douglas Aircraft Rallies
From DC-8 Deficits; Banks
Future on Missiles & Space

RECOVERY is a word which has rarely been required to describe the state of business at Douglas Aircraft Company in Santa Monica, Cal. Douglas has too enviable a record for pacing its industry with one model after another of popular, profitable aircraft.

However the catastrophic cost of developing commercial jets hit Douglas along with most of its competitors. Consequently Douglas is now in a stage of recovery from the two bleakest years in its history when write-offs from development of the DC-8 jetliner resulted in losses of \$33,800,000 in 1959 and \$19,400,000 last year.

But with the nine months ended August a solid \$4,500,000 or \$1.08 a share in the black, Douglas expects to report its first profitable year since 1958 when fiscal year 1961 ends next week. Outsiders have estimated full-year earnings at \$1.50 or better a share on sales of \$800,000,000. The volume is down from \$1.2 billion last year and \$884,000,000 in 1959 largely because of reduced DC-8 deliveries and phaseout of the C-133B Air Force transport. Backlog stands at \$785,000,000.

"We believe we've turned the corner," submits president Donald Wills Douglas Jr, 44, though he and his famous father are still looking to the year after next for "substantially better results." Besides the diluted profit potential of its commercial

business, Douglas, like its competitors, is digesting the costly transition from an aircraft to an "aerospace" corporation.

According to founder-chairman Donald Wills Douglas Sr (known to his friends as Doug) there are two reasons "our commercial business is not as good as it has been: 1) the favorable competitive position of Boeing and 2) airline troubles." He considers both "temporary."

About commercial plane building he observes confidently: "We've led before. I presume we'll do so again." Boeing had an admitted headstart in timing, costs and experience because its 707 jet evolved from the KC-135 jet tanker it built for the Air Force. Boeing was able to launch the 707 commercially a year before the DC-8 flew its first patron in Fall 1959.

To date Douglas has sold 172 DC-8s and delivered 152. Boeing meantime has sold 448 of its 707s (241 delivered) and 117 in the smaller 720 series; the other US pure jet builder, General Dynamics, has sold 115 880s and 990s. Not only did Douglas find the sales pace disappointing but prices were squeezed by competition. All told, it made write-offs of a whopping \$292,000,000 on its commercial jets.

As for the troubled airlines, Doug Douglas insists their much-publicized financial woes "do not represent a long-term trend. It's a tremendous thing—this two-year change to completely new equipment—but it's the sort of thing we've watched before. Airlines character-

istically overextend themselves with new models, then have to wait for business to catch up." He adds: "I also believe the disallowance of expense accounts and curtailed spending overseas have affected the airlines more than most people think."

Like his father, Don Jr is optimistic about commercial jet travel, looks for an upswing in 1963-64—"by that time the airlines should have started showing some earnings." He feels Douglas may get a needed boost from its proposed DC-8F Jet Trader version designed to carry 54 passengers and 52,000 pounds of cargo in one of several possible loading combinations. Trans-Canada Air Lines reportedly is "close to a deal" for four planes which would make it the first customer.

Caravelle Assist

Another Douglas hope is the twin-engine, medium-range Caravelle jet developed by Sud Aviation of France for which it has marketing and servicing rights in the Western Hemisphere. Douglas arranged this deal early last year after it scrapped plans for its own small DC-9 as too costly a venture. So far it has handled sale of 20 Caravelles each to United and TWA, seven others to Panair do Brazil and Argentine Airlines.

Except for 1960 when peak DC-8 deliveries brought the ratio close to 50%, commercial business has averaged less than one-third of total Douglas business—though of course it was responsible for the greatest part of the pressure on earnings. It also accounts for a major part in the conversations of Don Sr & Jr. This is understandable for the DC (for

Douglas Commercial) family has been a mainstay of commercial aviation for close to three decades.

The keen, quiet founder of the \$417,000,000-assets Douglas company admits he had a dream of an airborne public when he started in business. Born in Brooklyn 69 years ago, he spent three years at Annapolis and still loves the sea—spends leisure hours on his 67-foot motor sailer *Lady Fair*. However he switched to MIT where he received a degree in aeronautical engineering in 1914, stayed on as an instructor. Then he worked as Glenn L Martin's chief engineer for three years. In 1920 he moved West with a family of four and \$600.

That same year in partnership with David R Davis, a wealthy sportsman with a fancy to fly cross-country, he set up the Davis Douglas Company headquartered behind a Los Angeles barber shop. In six months Doug Douglas and six other men hand-built his first plane, the Cloudster. While it failed to reach the Atlantic because of engine trouble, it was the first plane known to lift its own weight in useful load. Soon a development of the Cloudster was ordered by the Navy for carrying torpedoes and the young company was launched for good in military aircraft annals.

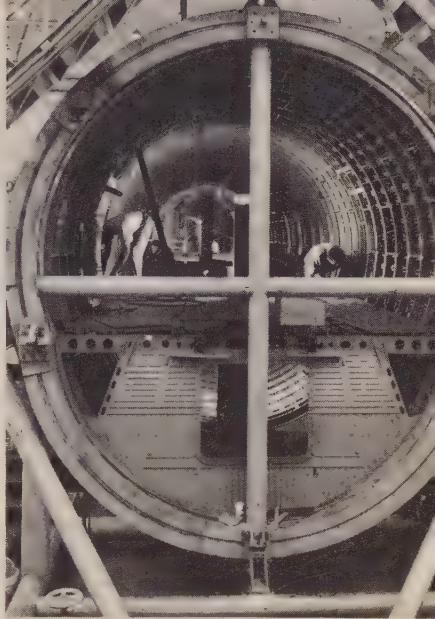
In 1932 Doug Douglas got his chance to build an airliner for TWA. Result: the 14-passenger DC-1 which was followed immediately by the larger DC-2. Then in 1936 came the dependable DC-3. Within two years it had nearly monopolized the commercial market and before very long its military counterpart, the C-47,

was a decorated War II veteran.

Continued commercial and military successes accelerated Douglas sales to \$100,000,000 in 1940, \$523,000,000 in 1952 and to a peak \$1.2 billion in 1958. Record profits were \$36,000,000 or \$9.80 a share in 1954. Until the mid-Fifties Douglas stock, "D" on the Big Board, also enjoyed a steady rise. After stock splits of 2-for-1 in 1951 and 1954 and 3-for-2 in 1955, it reached a high of 95 $\frac{5}{8}$ in 1956 but has dropped each year since. This year the 3,800,000 shares have traded between 42 and 28 with the current price of 33 equal to only one-third their peak.

Douglas long-range strength has of course been drawn not just from commercial craft but from an impressive flight of military planes from the SBDs and A-20s of War II to the current A4D Skyhawk. But at least in the judgment of the Government's strategists, manned plane production has had its era and both Douglasses realistically look to missiles and spacecraft to complete their corporate recovery. President Don Jr admits: "We've had to do some things pretty fast." They have a backlog of experience to draw from though Douglas has perhaps adhered to aircraft longer than some of its competitors.

And chairman Douglas maintains his 40 years in aviation have taught him optimism for both his industry and company. The optimism is shared by Don Jr who now has 22 years at Douglas to his credit. A Stanford-trained engineer, he came into the engineering division in 1939. In 1943 he was appointed director



Ribs of a DC-8

of testing for military and later civilian aircraft. He was elected vice president of military sales in 1951, president in 1957.

The two men are well aware the aerospace business has its own profit deterrents. One is continued long lead time similar to aircraft but with "more accent on short-run production." Another of course is the characteristic low profit margins of Government work plus the uncertainties of Government contracts. Of this Douglas was made painfully aware in April when a potentially large contract to develop the Missiler aircraft for the Navy was cancelled. Earlier its plans for the C-132 long-range military transport were squashed.

In addition are such costly requirements as shifting employes to new technologies (over 50% of the 37,000 Douglas workers are now in mis-

siles and space) and revamping of obsolete facilities. One big countermeasure: hiked Defense appropriations plus emphasis on civilian space programs appear to guarantee growth for the aerospace industry.

In August Douglas put through a major reorganization with product-oriented divisions: 1) aircraft and 2) missiles & space systems. The shift is designed to give greater flexibility to both and to effect long-range facilities modernization. "We'll be involved with consolidation and transition during most of 1962," Don Jr advises, "but after that we should realize substantial savings."

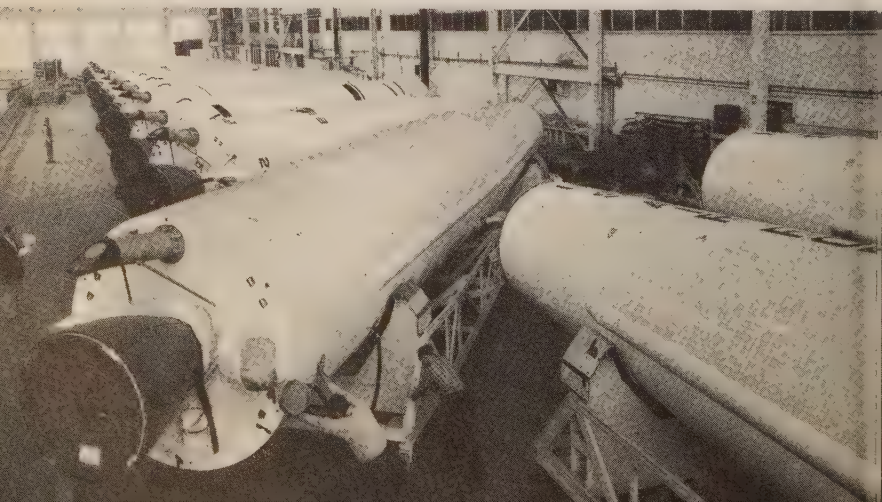
One of the country's largest defense contractors, Douglas has been building missiles since 1941. It has produced over 30,000, most of them Nikes, the Army anti-aircraft missile developed by Western Electric and Douglas. Some 150 Nike sites are now operational though production of the initial Ajax version has halted. The advanced Nike-Hercules has been operational since 1958. The

future of the more sophisticated Nike-Zeus anti-missile missile is still in question with hot Washington debates on whether development should be speeded. "It could be a screaming success or it may never be given a full green light," says Don Jr.

However, Douglas, which is responsible for the missile portion of Zeus, its launching and related ground equipment, was awarded a \$58,000,000 contract in September to extend development for another year. Soft-spoken chairman Doug contends part of the uncertainty comes from the fact Zeus is a defensive weapon. "Historically it has always been easier to get money for offensive weapons and this is true under the present Administration."

In this connection the Douglas senior executive adds: "It's hard to believe they won't go ahead with Skybolt," an air-launched ballistic missile which is one of the company's most important offensive weapons projects. An older Douglas project in its sixth year is the Genie air-to-air

Thundering Thors In tow



missile with a nuclear warhead. Douglas currently has a \$9,000,000 contract to improve its capabilities.

"In looking at our prospects don't overlook the tremendous growth ahead in space," advises co-pilot Don Douglas Jr. "For one thing, we believe in the near future we'll see the advent of specific military space vehicles plus great commercial developments." In 1960 Douglas was the National Aeronautic & Space Administration's third largest contractor.

This included a \$68,000,000 contract for the S-IV second stage of Saturn, the most powerful US space

vehicle under construction so far. It could power NASA's man-to-the-moon project. "We believe we'll do alright" with future Saturn contracts, chairman Douglas testifies, "partly because of our experience in launching." Here he refers to Douglas' Thor space booster, development of which dates back to 1955. Thor and the more powerful Thor-Delta (for which Douglas last month received a \$19,000,000 NASA contract) have launched over 65% of the country's satellites and space probes to date. Says Doug: "We call it the DC-3 of the space age."

The Distinguished House of Siemens

German Electric Firm's
Postwar Comeback
Confronts Berlin Hurdle

IN 1945 "we had not a nail to work with," an official of famous 114-year-old German electrical firm Siemens & Halske AG reminisced recently. The company's industrial showcase at Siemensstadt on the outskirts of Berlin had been laid waste and the machinery removed by Russian troops. The official, now stationed in Munich where the company established financial headquarters in 1947, quickly added: "But we had the spirit of Siemens."

Now with the company rebuilt to a position far beyond its prewar eminence, the spirit of Siemens is again being tested. The company still has 20% of its assets in Berlin. When the borders to East Berlin were closed August 13, Siemens lost overnight ("such things always hap-

pen during the night") 4,300 of its 45,000 Berlin employees. To compensate, employees went on heavy overtime, Saturday and sometimes even Sunday hours, took over other jobs. Though expenses in Berlin have been thus increased, production and delivery schedules are being met.

Before War II, Siemens was concentrated mainly in Berlin and employed 150,000 people in Germany (120,000 of them in Berlin) and another 30,000 outside. Now Siemens is far more dispersed with 33 plants throughout West Germany as against ten in Berlin. Siemens obtained a foothold in what was to become West Germany by acquiring a Nuremberg-based power equipment maker (now Siemens-Schuckertwerke) in 1903. But its true decentralization began during War II with "temporary" facilities in other cities. Those in the Federal Republic

provided nuclei for permanent installations when Germany and Berlin were partitioned. Now Siemens has its headquarters divided between Berlin and South German metropolis Munich while Siemens-Schuckert's are in Erlangen, near Nuremberg, and Berlin.

In the first postwar years there were only 35,000 people with Siemens experience still living and in a position to go back to work. The engineers and workmen scraped together what machinery they could from the rubble. They concentrated strictly on production of household appliances until 1947. Individual plants or groups operated independently until central management could be reestablished. Two things put both the Federal Republic and Siemens on the road to the well-known "German miracle": the currency reform of 1948 and the Marshall Plan. This aid "was at the foundation of our activity. Without it we couldn't have started," says Siemens economic publications director Manfred Kiesewetter.

For Siemens the "miracle" can be easily documented. Employees are at a record 220,000. Figured at the rate of four Deutsche marks to the dollar, sales in the year ended September 1948 were \$143 000,000 and in the September 1960 year were \$889,000,000 (slightly over \$1 billion counting foreign income). A slightly shorter comparison shows reported earnings up from \$4,070,000 in 1952 to \$20,400,000 last year. Though German companies have considerable latitude about how much earnings they choose to report, the year-

to-year increases are usually safe indicators of rate of growth.

For US investors there is trading in American Depositary Receipts of Siemens shares. Each ADR is equal to one half an underlying share and there are 5,200,000 underlying 100 DM shares. Reported earnings show an increase from 55¢ in 1952 to \$1.61 in 1959 and \$2 in 1960. But on a basis comparable with US corporations, Siemens earnings were estimated at \$4.80 for 1959 and \$5.25 for 1960. Approximately \$5.75 is figured for the fiscal year completed September 30.

Multiple Outlets

In scope of work Siemens proudly claims to lead all electrical companies. It tells new employees through its handbook *The House of Siemens*: "The enterprise you work for is engaged in more electrotechnical fields than any other in the world." This mouthful does not mean Siemens is bigger. In Europe Holland's Philips Lamp tops Siemens in annual sales volume while in the US General Electric, Western Electric, Westinghouse, RCA and General Telephone & Electronics are all larger. But Siemens turns out everything from power stations to transistors to phonograph records.

Besides being versatile, Siemens is, to put it mildly, experienced. It has been in business since 1847 when Werner Siemens, a Prussian artillery officer with a penchant for science, perfected the earliest workable teletype machine. He joined with engineer Johann Georg Halske, borrowed some money from a cousin and set to work. The first big

order came in 1848 when the Prussian government ordered a line from its capital of Berlin to Frankfurt where the first German parliament met. It has been the big name in European telegraphy ever since and almost any European company with

several branches is likely to have a battery of Siemens teleprinters in its offices.

Another telegraphic triumph for Werner Siemens and his company was the 7,000-mile London-Calcutta line completed in 1870. The original

TURKEY TIDBIT

The pilgrim with his trusty musket had less trouble balancing turkey supply & demand than today's producers of Thanksgiving birds. Of course this is fine for the housewife who should find ready-to-cook turkeys at a ten-year low. Recent wholesale prices for hen turkeys were reported at 33-to-34¢ a pound, a dime less than a year ago. Toms, which come a bit cheaper, averaged 7¢ below 1960.

The depressed prices reflect a turkey glut caused by expanded production which has pushed the gobbler population to an estimated 107,000,000 birds this year, 26% higher than last year and 75% above a decade ago. Meantime turkey consumption has remained relatively steady in recent years (around 6¾ pounds a person) even though total poultry consumption has increased from less than 22 pounds for every American in 1947-48 to an estimated 37 this year.

However producers & Government seek to promote consumption (example: TV dinners) and control production. Marketing orders limiting the number of

turkey hatching eggs and processed turkeys may be put in effect next year if approved by two-thirds of the producers in a referendum.

There are over 85,000 turkey producers in the US but 80% of the total turkey crop is supplied by only 3,000 farms. At the processing end Swift is one of the leaders. But while Swift eagerly seeks to promote turkey dinners (including appeals with the history theme pictured here), turkeys make up only a very minor percentage of the No 1 meatpacker's overall business.



line continued in service till 1931.

Not quite a century ago Werner Siemens scored a vital breakthrough by making a practical version of Michael Faraday's dynamo. He thereby laid the foundation for mass production of electricity and with it Siemens' business of making power generating equipment.

Werner Siemens was honored by his government with a hereditary title in 1888 making the name von Siemens. He retired in 1890 and died two years later. Partner Halske had left the firm in the 1860s. Present head of the House of Siemens is Ernst von Siemens, 58. A grandson of Werner, he led the postwar dispersal of Siemens facilities and its postwar growth.

In his memoirs Werner von Siemens formulated a principle of beguiling simplicity: do your own research and make your own technical breakthroughs; about the time the competition catches up, you will have made another.

Siemens was also an innovator in social benefits for its workers. The company had a pension fund 20 years before Chancellor Bismarck made Germany the first country to require such a scheme in 1879.

Following an industrial crisis at the turn of the century, Siemens

merged Elektrizitaets AG. It renamed the new subsidiary the Siemens-Schuckertwerke in honor of the acquired company's founder, Sigmund Schuckert, an engineer who died in 1895 when only 46.

Now Siemens-Schuckertwerke accounts for 46% of consolidated sales, turns out heavy electrical equipment including power generating equipment and electric locomotives among other things. Siemens & Halske itself brings in 33% of sales, is responsible for making teletype and telephone equipment, radio communications, electronic components, wire & cable, data processing equipment and film projectors.

Another of Siemens' subsidiaries, Siemens Electrogeraete, was created in 1957 to take over from S&H and Schuckertwerke the making of household appliances, radio, TV and phonograph sets, electric shavers and numerous other items. It has recently ceased production of all radios and TV sets (except transistor radios) and sells sets of other makers under the Siemens name. Siemens Electrogeraete brings in 11% of consolidated sales.

Siemens also wholly owns phonograph maker Deutsche Grammophon GmbH. It has a 43% participation in Osram GmbH which turns

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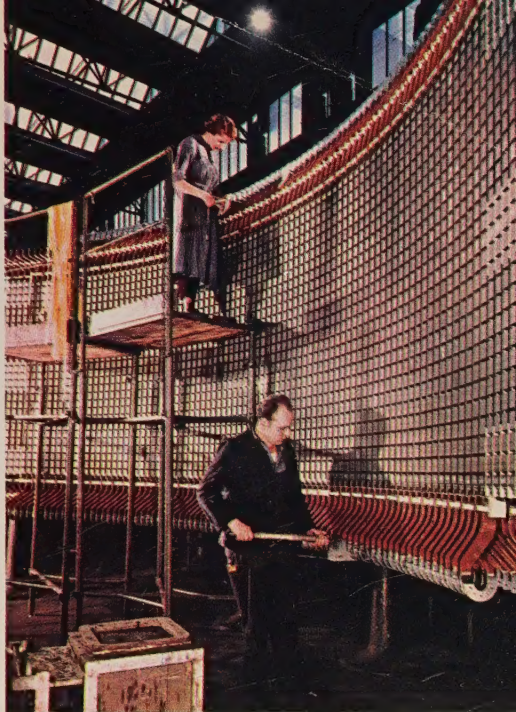
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out most of the light bulbs in Europe not turned out by Philips. The rest of Osram is owned by Allgemeine Elektrizitäts-gesellschaft and International General Electric Division of this country's GE. Siemens also owns nearly all of Siemens Reiniger Werke, an important maker of medical, electrical and electronic equipment.

Results for the year ended September 30 will not be known before February. But this year Siemens has begun the enlightened practice of issuing interim sales reports. Its nine-month volume (not counting foreign subsidiaries) came to just under \$700,000,000. This is a handsome increase from the \$613,500,000 of the comparable 1960 period. While earnings figures are lacking, the report assures: "Domestic earnings continued to be good. In spite of losses resulting from the revaluation of the Deutsche mark with respect to accounts receivable, operating income for the first six months was approximately equal" to the year before.

How the Berlin crisis has affected the full year's earnings remains to be seen. Even if the status quo prevails in Berlin, Siemens faces the difficulty of keeping up its supply of new workers, many of whom are likely to migrate to West Germany before looking for such jobs. Berlin aside, there have been signs of slow-



Generator stator at Siemensstadt

up in Germany's rapid growth rate. However a Siemens economist maintains prospects for the electric industry are relatively better than for other fields. He further argues the size and longevity of Siemens indicate it is well situated to take advantage of any opportunities.

Regardless, the Berlin crisis imparted a severe jolt to Siemens shares. The ADRs which traded as high as 101 in May dipped to 77 in September and have since recovered about half to 89. However their growth since 1953 is sharp. They were traded as low as 8 then and reached their present level from only 37 in 1959.

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NON-DELPHIC

In ancient times, if you had a problem, you took it to a sibyl. The most famous of the lot was probably the sibyl at Delphi, in the shadow of Mount Parnassus. For a price, when possessed by the spirit of Apollo, she gave forth words of wisdom. The only catch was that her utterings were often so cryptic as to raise more doubts than they satisfied.

Apollo is not an object of worship these days, and sibyls are long out of fashion. If you have a problem now, you must find other help in solving it—a psychiatrist or counselor or friend. Or you might try good old-fashioned common sense.

However, if your problem has to do with investing, may we offer the services of our Research Department? We have no sibyls, but we do have a sizable staff of Researchers whose job is to keep up with developments in all major industries and hundreds of individual companies and to make their information and opinions available to investors.

The cost? No rich gifts, no animals for sacrifice, no wine for libations. Research's opinion of your present holdings and suggestions for further purchases are free for the asking. What's more, the answer you receive to your request for help, far from being cryptic in the Delphic way, will contain specific buy, sell, and hold suggestions. Try us and see.

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